

# minutes (DRAFT FOR APPROVAL)

B/17/89

## NHS NATIONAL SERVICES SCOTLAND BOARD

### MINUTES OF MEETING OF THE PERFORMANCE AND FINANCE COMMITTEE HELD IN BOARDROOM 1, GYLE SQUARE, EDINBURGH COMMENCING AT 0930HRS ON WEDNESDAY 31 May 2017

**Present:** Ms Kate Dunlop, Non Executive Director (in the Chair)  
 Professor Elizabeth Ireland, NSS Chair  
 Mr Mark McDavid, Non Executive Director

**In Attendance:** Mr John Fox-Davies, Director of Strategy and Governance  
 Mr James Hall, Director of IT Operations, (Minute Item 6 only)  
 Mr Markus Hiemann, Sustainability Lead, (Minute Item 13 only)  
 Ms Carolyn Low, Director of Finance and Business Services  
 Mr Peter McConnell, Strategic Sourcing Director, (Minute Item 16 only)  
 Ms Caroline McDermott, Planning Lead, (Minute Items 10 and 11 only)  
 Lynn Morrow, Corporate Affairs and Compliance Manager (Minute Item 9 only)  
 Mr Colin Sinclair, NSS Chief Executive  
 Mr Steve Taylor, Associate Director Business Services, (Minute Item 4 only)  
 Ms Marion Walker, Risk Manager Lead, (Minute Items 10 and 11 only)  
 Mr Drew McErlean, Committee Secretary (Minutes)

**Apologies:** Ms Julie Burgess, Non Executive Director

#### ACTION

#### 1. Introduction and Apologies for Absence

- 1.1 Kate Dunlop welcomed everyone to the meeting and noted the apologies received.
- 1.2 Committee Members were asked if they had any interests to declare in the context of the Agenda items to be considered. There were none.

#### 2. Minutes of Previous Meeting and Matters Arising

**Minutes of the meeting held on 23 February 2017** [paper PFC/17/16 refers]

- 2.1 John Fox-Davies noted that the action point for Item 3.3. had not been completed but had been marked as complete on the Action Sheet in anticipation of a presentation being made at the NSS Board Development Day in May. The presentation had been circulated to the Board members after the event. Members confirmed that they were content for the action to be closed therefore.

The Minutes were agreed as being an accurate record of the meeting.



#### Headquarters

Executive Office, Gyle Square, 1 South Gyle Crescent,  
 EDINBURGH EH12 9EB

Chair Professor Elizabeth Ireland  
 Chief Executive Colin Sinclair

- 3. Action Sheet** [paper **PFC/17/17** refers]
  - 3.1. In relation to action 13.2 from the meeting on 23 February 2017 it was agreed that three meetings per year was sufficient, with the option of an ad-hoc meeting in the event of a significant issue arising that needed to be discussed in advance of the next scheduled meeting.
- 4. Property Asset Management Strategy (PAMS)** [paper **PFC/17/18** refers]
  - 4.1 Steve Taylor noted that a full PAMS report was produced on a two year cycle. An interim report had been provided to the Committee in 2016. The key message was that the NSS Asset Portfolio had progressed in line with the plan and the investment made. There was no significant backlog of property maintenance. The performance of the portfolio would continue to improve after the Jack Copland Centre had been occupied.
  - 4.2. The environmental performance was in line with carbon and energy reduction targets. The office space usage had reduced by 22% and costs had reduced by 14% per square metre in a market where prices had increased by around 10% per square metre. Further opportunities to consolidate office space would be investigated. The capital and revenue positions on the asset portfolio were reflected in the 5 year NSS Plan, but the provision for new office space in Aberdeen was excluded as that would be funded separately by the Scottish Government.
  - 4.3. In response to a question from Professor Elizabeth Ireland it was noted that the planned move of staff from premises at Bridge View in Aberdeen had not gone ahead. Staff were being kept fully informed of the situation. The commercial property market in Aberdeen remained challenging but 14 potential other sites had been identified and these would be reduced to a short list in due course. Considerable savings were feasible by exiting the Bridge View premises which were very expensive and not fully occupied. All of the options being considered were relatively close to Bridge View and so should not present any travel challenges for staff if a move went ahead.
  - 4.4. In response to a question from Colin Sinclair about the Meridien Court premises in Glasgow it was noted that a temporary tenant for the 6<sup>th</sup> floor would generate income through to March 2019. There were opportunities to consolidate the use of properties across NHS Boards by acting in a collaborative way. The PAMs reports of the National Boards would be consolidated to help identify how the use of building assets could be improved. There could however be some challenges in getting all of the Boards to commit to making such changes in practice.
  - 4.5. Kate Dunlop asked what challenge was provided by the Scottish Government to improve efficiency of building asset usage. Steve Taylor advised that there was strong governance from the Property Team at the Scottish Government but there was also a dependency on Boards being cooperative. The renewal of leases required ministerial approval.
  - 4.6. In response to a question from Colin Sinclair it was noted that the lease on the currently unoccupied premises at Dalrymple Street in Greenock would be allowed to expire. It was also noted that with regards to equipment, the newly ordered equipment for the Jack Copland Centre was not included in the 65% of equipment that was within 5 years of the end of its projected life cycle. The progress that had been made in the reduction of fleet mileage was noted with the focus having been put on a reduction in the number of journeys and improved use of pool cars.

4.7. The PAMs report was approved by the Committee and would now be sent to the Scottish Government by the deadline of 5 June 2017.

**5. Annual Report of the Performance and Finance Committee [paper PFC/17/19 refers]**

5.1. The Committee agreed the report which would now be tabled at the meeting of the NSS Board on 29 June 2017.

**6. Significant Upcoming IT Projects**

6.1. James Hall provided a presentation on four significant scale IT programmes that NSS would play a leading role in. These were

- PACS
- CHI / CHS
- GPIT
- Community

As GPIT and Community were very closely linked these would be referenced in the presentation as one programme.

6.2. In relation to PACs there was an option to do a technical refresh at an estimated cost of £2.1m or a full software and technical refresh at a cost of £5.6m. The latter would be done over a four year period. The key risk on the PACs system was the limited disaster recovery capability. This would need to be addressed as a matter of urgency. The Risk Register reflected this. Professor Elizabeth Ireland asked if the programme of work would include reporting and James Hall advised that would be addressed if the system was upgraded to version 12.1.5.

6.3. The service was provided by 2 suppliers and the hardware was hosted by ATOS so dealing with this number of organisations added to the overall complexity. A business case would be prepared in July 2017. The aim was to be cost neutral over an 8 -10 year period. There were several alternative suppliers in this market but migration to a new system would involve very significant re-training time and cost. The existing system was very highly regarded from the clinical perspective and it was vital that the clinical standards were not diluted. Colin Sinclair noted that the risks around the current system were related to support capability rather than technical quality. James Hall noted the key challenges that combined to make the completion of this programme a necessity.

6.4. In relation to the CHI/ CHS programme the commercial aspects had been agreed in Quarter 1 of 2017 The Programme Board would meet in October 2017 to consider the outcome of the Proof of Concept phase which was currently taking place. The projected running costs for 10 years of £73m were fully funded. The programme was running to budget. In response to a question from Colin Sinclair it was noted that the commitment to moving on to the commissioning phase would be considered at the Programme Board in October. It had been confirmed that NSS would lead implementation. There was an issue about which NHS Board would lead the governance of the implementation phase and that would be decided by the NHS CEOs. It was agreed by the Committee that this was a critical concern. It was regarded as essential that there should be consistency of leadership.

- 6.5. For the GPIT/ Community Programme the commercials had been agreed in Quarter 1 of 2017. The Proof of Concept phase would run through to October 2017. It was likely that costs for implementation would increase and 7 years running costs would have to be funded. The current plan was based on a contract being awarded in March / April 2018 and that would require approval by the NSS Board. In response to a question from Professor Elizabeth Ireland about the range of services to be covered by this development James Hall advised that was still to be determined. The Committee was in agreement that the programme must cover Health and Social care and asked that this view be made very strongly to the next meeting of the Programme Board. It was felt that NSS could not engage in this programme unless it embraced both health and social care.
- 6.6. James Hall noted that there were a number of key risks with the GPIT / Community Programme which included the possibility that funding for the work would not be forthcoming. There were also potential resourcing issues around the very small specialist team that would support this work.
- 7. Annual Revisions to the NSS Standing Financial Instructions [paper PFC/17/20 refers]**
- 7.1. Carolyn Low referenced the annual report of changes made to the Standing Financial Instructions. These related mainly to EU Directives in relation to procurement. Changes that had been made to internal controls were noted. Communication would be issued to staff to reinforce in clear, simple and understandable language the key aspects in the instructions. The Committee endorsed the report and agreed that the updated Standing Financial Instructions could now be submitted to the meeting of the NSS Board on 29 June 2017. **Carolyn Low**
- 8. Exception to Tender / Sole Source Report [paper PFC/17/30 refers]**
- 8.1 Carolyn Low noted that the level of exceptions to approve sole source supplier exceptions to tender had been very low over the previous few years. A change to the ordering process had been introduced from 1 April 2017 to ensure that evidence of all suppliers had been captured on all orders over £10k in value. This had resulted in an increase in the number of sole source forms being submitted since 1 April 2017. This report would be produced annually in the future and would be added to the forward programme for future years. Colin Sinclair noted that it was good to see evidence coming through that there was a robust sign-off process in place to capture this information. **Committee Secretary**
- 9. Gifts and Hospitality: [paper PFC/17/21 refers]**
- 9.1. Lynn Morrow noted that the report covered the period from 1 November 2016 to 31 December 2016. The report for the final quarter of the financial year to 31 March 2017 showed a significant reduction in the number of gifts to three. The two findings from the Internal Audit review of Gifts and Hospitality had resulted in changes to the Standing Financial Instructions which had been tabled at this meeting of the Committee.
- 9.2. It was agreed that all situations where a gift or hospitality was either accepted or refused should be signed off at Director level so that there was an audit trail of the reasons behind each case. In response to a request from Colin Sinclair it was agreed that future reports submitted to the Committee would include more up to date data than had been included in this report. The report was endorsed by the Committee. **Lynn Morrow**

- 9.3. The issue around staff being invited to make presentations to other organisations in return for an honorarium was discussed. It was agreed that the current practice where such payments were asked to be made to the Trinity Park Foundation should continue and that there were sufficient controls in the Standing Financial Instructions.

**10. LDP Performance Reports [paper PFC/17/22 refers]**

- 10.1 Caroline McDermott noted the key issues from the final report for the year to 31 March 2017. The target of 90% achievement had been met. The red rated item related to the Jack Copland Centre which would be reported on separately at this meeting. The LDP results would be sent to the Scottish Government and had been appropriately worded to ensure the Government was completely sighted on the issues around the Jack Copland Centre. Elizabeth Ireland noted the positive work that had been done within the LDP to address health inequalities. The report was approved by the Committee.

**11. Resilience Update [paper PFC/17/23 refers]**

- 11.1 Caroline McDermott provided an update on the key resilience issues since the last update in October 2016. The Prevent Action Plan had been approved by the meeting of the Staff Governance Committee.
- 11.2. An update was provided in relation to the Cyber attack of Friday 12 May. NSS was not directly impacted by the ransomware, however it had provided support to a number of NHS Boards which were. A couple of national IT systems had been closed down deliberately as a precautionary measure but had been fully operational from Monday 15 May. NSS had been fully engaged in all national resilience discussions including those led by the Scottish Government. There had been very strong engagement with all IT suppliers. A Lessons learned exercise would take place.
- 11.3. Colin Sinclair noted discussions had taken place on the effectiveness of communications within the Executive Management Team over the weekend of the attack. Consideration had been given as to whether or not an 'on call' rota was needed. The initial view was that this should not be necessary but it would be discussed by the Executive Management Team on 19 June. On behalf of the NSS Board Professor Elizabeth Ireland noted thanks to all members of staff for their efforts in response to the attack.
- 11.4. In response to the decision by the UK Government on 23<sup>rd</sup> May to increase the UK security threat level to critical the NSS Resilience Team met on a couple of occasions. Guidance on the need for extra vigilance had been given to staff along with reassurance that work should proceed on a business as usual basis. There had been no impact on the work of NSS as a consequence of the security threat level being changed to critical.
- 11.5. The Scottish Government Health Resilience Group had produced draft guidance on the expectations of NHS Boards should a move to critical threat level happen. This had been very helpful. A paper would go to the Executive Management Team meeting on 19 June to discuss implementation of this guidance and other matters arising from recent resilience events. The HR and Workforce Director would lead a group to look at the Management of Serious and Imminent Danger Incidents Procedure and the procedures to follow if a threat was made to NSS buildings.

**12. Review of Business Risks on NSS Risk Register [paper PFC/17/24 refers]**

12.1 Marion Walker noted that the report showed the position at 30 April 2017. There was one red rated risk - 4535 Single Cleft Surgical Services. This replaced Red clinical risk 4011 of the same name. Risk 4086 in relation to eLinks breaking had been mitigated from Red to Amber. All risks were within the agreed corporate risk appetite and were being actively managed.

12.2 It was agreed that the description of risk 4535 should be re-worded. The reasons why SPIRE was referenced within Risk 4495 would be clarified. **Marion Walker**

**13. Sustainability Update**

13.1 Markus Hiemann noted that an annual report on performance against the sustainability targets from the Scottish Government was required. The progress made was noted. A Sustainability Governance Board had been established which had oversight of progress against the detailed measures. A Sustainability Learning Module had been created and Elizabeth Ireland noted that although this was voluntary she was keen for as many members of staff as possible complete it including the Non Executive Directors.

13.2. NSS had achieved a 2016 – 2021 Local Delivery Plan target score of 75% for the year to 31 March 2017. Consideration of sustainability improvements was now included in all Strategic Business Unit Resource Allocation meetings. Environmental and sustainability targets were also embedded in key processes such as procurement. In relation to the objective of becoming an 'Excellent Corporate Citizen' by 2020 the LDP target score was 80% for 2017-2018 and 85% for 2019- 2020. Strategically, the organisation would begin to focus on what was needed to deliver the United Nations Sustainable Development Goals. These covered a range of issues and NSS would focus on those that were most relevant and deliverable for the organisation.

**14. Jack Copland Centre Update [paper PFC/17/25 refers]**

14.1 Carolyn Low noted that the paper identified the financial and operational issues that would result from further delays to the occupation of the Jack Copland Centre. A planning exercise had considered the impact of several potential scenarios. The overall position was very complex as some scenarios had an operational impact but no financial consequence.

14.2. Transition plans had been tested and would be reviewed at a meeting of the Programme Board in the week beginning 5 June 2017. New equipment had been purchased for use in the Centre. Whilst the equipment was not in use the warranties were now active so may need to be re-negotiated. Anticipated CRES savings for 2017 – 2018 would not now be achieved as a consequence of the occupation of the building being delayed.

14.3. The most likely scenario was that Practical Completion would be achieved around 24 August 2017 which was 10 months later than the original completion date. Colin Sinclair noted the most recent update was that Interserve had produced a plan for completion which appeared to be realistic. In response to a question from Mark McDavid it was noted that the issues around the air-conditioning system were being addressed by close management of a very thorough plan. It was agreed that an update would be provided to the NSS Board on 29 June 2017. **Colin Sinclair**

**15 NSS Financial Performance : Period 1 April 2016 – 31 March 2017**  
[paper PFC/17/26 refers]

- 15.1 Carolyn Low noted that there had been a £0.8m revenue surplus which was principally related to delayed transition costs for the occupation of the Jack Copland Centre. The surplus would be carried over into the current financial year when the expenditure would be incurred. CRES savings had delivered 121% of the target set. The total number of staff employed at 31 March 2017 was 34 higher than as at 31 March 2016. The number of unfilled vacancies was 42 which was significantly lower than the average for the previous year.
- 15.2. The non-pay deficit of £300k for CLO was driven by the caseload received. The planned deferral of IT expenditure would not have a consequential cost impact from issues that had not been addressed on a timely basis. A plan was in place to ensure that this was effectively managed.
- 15.3. Professor Elizabeth Ireland noted that the overall financial outcome was very positive and on behalf of the Board noted thanks to staff for their efforts in the achievement of this.

**16. National Procurement Contract Schedule [paper PFC/17/27 refers]**

- 16.1. Peter McConnell noted that since 1 April 2017 strategic sourcing contracts with a total annual value of £113.5m had been awarded. Savings of £6.4m had been secured on these contracts. The contracts that had still to be awarded in the year to 31 March 2018 had a value of £322.6m and there were targeted savings of £21.9m on these contracts. Colin Sinclair noted that the shared services programme for the national boards had a target to deliver a further £7.5m in savings through collaborative working.
- 16.2. In response to a question from Mark McDavid it was reported that the savings of £3.3m on the Temporary Agency Medical Locums contract had been achieved by capping rates for each skill level and by widening the number of suppliers in the network.
- 16.3. It was agreed that future reports would show the contract awards for the key areas such as IT procurement separately. The report would also note the work that had been done and the savings generated for the wider public sector. In response to a question from Kate Dunlop it was noted that it was a very different procurement processes and business model that operated in NHS England, Whilst the NHS in Scotland liaised with its English counterpart at a strategic level there were no joint initiatives to secure procurement savings.
- 16.4. An update was provided on the strategies that would be pursued for some of the key contracts. In relation to Haemodialysis Machines and Consumables the total commodity spend was currently £5.6m and savings of £300k were being targeted. Reducing the number of supply lots and moving away from local to national procurement were key aspects of the planned strategy. In relation to HIV generic medicines it was noted that a number of medicines had recently lost or were about to lose their patent protection. The current spend was £9.3m with targeted savings of around £4.4m (60% of the headline cost). However there were risks associated with this item as the brand manufacturers may take legal action against the generic manufacturers to try to protect their patent.

**Peter  
McConnell**

- 16.5. A strategy was being planned to introduce a common approach to accessing consultancy type contracts across NHS Boards. The current spend was about £1.5m per annum with targeted savings of circa £150k. Part of the strategy would entail widening out the marketplace for skills that were difficult to recruit for. However that had an attached risk of introducing too many suppliers and therefore the process could become unwieldy.

**17. Occurrences where SFIs have not been followed**

- 17.1. There were no instances to report of the SFIs not being followed.

**18. Feedback on relevant issues from other NSS Sub-Committees**

- 18.1. Professor Elizabeth Ireland noted that the Clinical Governance Committee had gained assurance that there was a robust process to ensure that clinical risks were identified in the Digital Transformation Programme. The Staff Governance Committee had been reassured that staff issues were being appropriately managed as a consequence of the delays to the completion of the Jack Copland Centre. The Audit and Risk Committee had been updated on the work undertaken in NSS to manage the risks from the recent cyber attack.

**19 Committee Highlights for NSS Board Meeting on 7 April 2017 [paper PFC/17/28 refers]**

- 19.1 The items for the Board Highlight Report were identified as

Items and Risks of the Boards Attention

- The very significant IT projects that were being planned and the fact that NSS was sighted on any potential risks that may arise from these.
- The very positive news in relation to the level of savings that had been generated and were being forecast within the procurement process.

Emerging Themes for Board Awareness e.g. changing trends in elements of NSS performance

- The progress made towards the sustainability targets.
- The positive financial performance and achievement against LDP targets.

Governance Improvements e.g. actions which have strengthened governance of Committee and should be shared.

- The improved process for capturing and reporting Gifts & Hospitality and Single Source Supplier arrangements.

**20. Any Other Business**

- 20.1 There was no other business raised.

**21. Date of Next Meeting**

21.1 Wednesday 25 October 2017 at 0930 Hrs: South Gyle, Edinburgh

**22.** For Information

22.1 **Performance and Finance Committee Forward Programme 2017**  
[paper **PFC/17/29** refers]